



CITIZENS SUMMARY

Findings in the audit of the Department of Revenue Sales and Use Tax

Sales and use tax exemptions	The Department of Revenue (DOR) does not adequately capture and track information regarding some sales and use tax exemptions. According to DOR records, as of June 30, 2018, state law provided for 214 sales and use tax exemptions. The DOR only tracks the 3 percent state general revenue sales tax reduction on food sales, the textbook sales tax exemption, and the manufacturing sales tax exemption.
Timely sales and use tax discounts	State laws allowing retailers to retain a portion of sales and use taxes collected if they remit the taxes to the DOR timely result in the state and local governments forgoing significant revenues. Missouri's timely sales and use tax discount is the second most generous discount in the nation and significantly benefits the state's largest retailers. Changing state law to include a monthly cap on the amount of timely discount eligible to be retained would significantly increase state and local revenues. The DOR is not required to report, and does not routinely report the amount of timely discounts retained by businesses to the General Assembly, local governments impacted, or the general public.
Internet Sales	The General Assembly has not passed legislation to allow Missouri to charge tax on online purchases made from out-of-state sellers or to participate in the Streamlined Sales and Use Tax Agreement (SSUTA), costing the state millions in potential sales tax revenue. With the increasing popularity and usage of online shopping, e-commerce sales have grown significantly in recent years. The SSUTA, adopted in November 2002, is a cooperative effort among states, local governments, and businesses to simplify and make more uniform the sales and use tax collection and administration for retailers and states. Bills introduced in Missouri during the 2019 legislative session to expand the collection of taxes on internet sales failed to become law.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.